



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Ed Shikada
James Helmer
Jim McBride

SUBJECT: SEE BELOW

DATE: September 30, 2004

Approved

Date

10/1/04

**SUBJECT: REPORT ON TECHNICAL AND PROCUREMENT SERVICES FOR THE
NEW CITY HALL CONVERGED NETWORK REQUEST FOR PROPOSALS (RFP)**

RECOMMENDATION

Approve an agreement with Gartner, Inc. for technical and procurement services for the New City Hall Converged Network RFP in an amount not to exceed \$365,226, and authorize the City Manager to negotiate and execute change orders not to exceed an additional 15% (\$54,784) for any additional needed services.

BACKGROUND

On August 10, 2004, Council approved the City Manager's recommendation for a team of internal and external experts to develop, release and evaluate a new Converged Network RFP. On August 30, 2004, the City issued a Request for Qualifications (RFQ) to solicit resources necessary for procurement process management and technical services to support the internal RFP team. The RFQ was structured to solicit consultant services in three distinct areas of expertise:

- Public Sector Procurement
- Enterprise Network and Voice over Internet Protocol (VoIP) Technologies
- Network Server and Storage Area Network (SAN) Technologies

Proposers had the option of competing in any or all of the service areas listed above. The selected consultant will assist the City in areas such as preparing the Converged Network RFP, proposal evaluation and selection of the Converged Network vendor, contract negotiations, and

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project quality assurance. Following post award activities, the selected consultant will also provide ongoing professional services, as needed, as the project is implemented. Given this key role, the selected consultant is precluded from competing or otherwise participating with proposers in the subsequent Converged Network RFP.

ANALYSIS

The RFQ for the technical and procurement consultant(s) was developed with input from various project support teams. A key feature of the RFQ is that it allowed for interested companies to submit proposal(s) for any one or combination of the three required consulting disciplines (Network, Server/SAN, Procurement). This allowed smaller firms, or firms that specialize in only one discipline, to compete in this selection process.

The RFQ was released to the public and advertised on the City's Bid Line and the DemandStar system on August 30, 2004. Five hundred and seventy-two suppliers were notified of the RFQ requirement, 53 suppliers accessed the document either by fax or internet download, and 13 companies submitted proposals by the September 10, 2004, due date. The proposal evaluation process consisted of three phases:

Phase 1: Minimum Requirements Review – Purchasing Division staff screened the proposals to insure that they met the minimum requirements stated in the RFQ. All 13 proposals listed below in Table 1 (including proposed discipline) were deemed complete and submitted to an internal evaluation team for further scoring.

Table 1

	Proposer	Procurement	Network VoIP	SAN
1	META Group	X	X	X
2	Infrastructure Design Associates (IDA)	X	X	No Bid
3	Alpha Tech	X	X	X
4	OFS	X	No Bid	No Bid
5	SM&W	X	X	X
6	Economists. COM	X	X	X
7	Gartner	X	X	X
8	International Network Services (INS)	No Bid	X	X
9	KC Future Planning	X	X	No Bid
10	RLS	X	X	X
11	Mark E. Jansen	X	X	X
12	Spectre LLC	No Bid	X	Partial
13	ARUP	X	No Bid	No Bid

Phase 2 - Proposal Review - Three panels, each consisting of two internal subject matter experts and one external public sector counterpart, were formed in each of the three specialty areas (Procurement, Network, Server/SAN). The internal City evaluators included staff from Fire, Police, Airport, General Services, and IT departments (not involved in the previous RFP). The panels were instructed by General Services Purchasing staff on evaluation rules, methods to ensure consistency in evaluations, and standard criteria and guidelines for scoring.

The internal evaluators scored each proposal independently, and then met to review and validate scores. The key categories scored were:

- RFP preparation and evaluation experience;
- Network/VoIP technologies and industry standards;
- Gap analysis;
- Contract negotiations;
- Technical architecture;
- Project quality assurance;
- Project management;
- Work with municipalities;
- Immediate staff availability; and,
- Overall staff qualifications based on desired roles.

A “short list” was developed, based on a clear break in the scores, consisting of the top three ranking suppliers for Network and Server/SAN, and the top four suppliers for Procurement. The seven short listed proposals were then provided to external evaluation panel members, consisting of experts from outside the City. One subject matter expert was assigned to each consulting discipline. The internal and external scores were combined, a final ranking was established, and a meeting was held with the external and internal evaluators to validate the results. At the conclusion of the written proposal evaluation, it was determined that the top four technically ranked vendors would be invited to participate in an oral interview process.

Phase 3 - Oral Interviews – The finalists were invited to give an oral presentation and participate in a panel interview. The City required that the program manager(s) designated to the project and key team members that would be assigned to the project attend. The City provided a required outline of the items to be discussed by each company so that they would have equal opportunity to present the information that was being evaluated by the City. Reference checks were conducted utilizing a standard set of questions for each reference to ensure consistency and fairness. The oral interviews and reference checks were considered pass/fail and not scored.

The panelists scored and ranked the seven finalists as summarized in Table 2 below. Upon the conclusion of the evaluation process, Gartner scored and ranked as the number one vendor in the Procurement and Server/SAN disciplines and Economist.com ranked number one for the Network component. The number two ranked vendors for each consulting discipline are as follows: KC Future Planning (Procurement), Gartner (Network), Alpha Tech (Server/SAN).

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Discipline/Company	Overall Score (15 possible)	Percent of High Score	Technical Rank
Procurement			
1. Gartner	12.22	--	1
2. KC Future Planning	10.94	89.5%	2
3. META Group	10.52	86.1%	3
4. RLS	8.76	71.7%	4
Network			
1. Economists.com	11.93	--	1
2. Gartner	11.45	96%	2
3. RLS	11.13	93.3%	3
4. IDA	10.32	86.5%	4
Server/SAN			
1. Gartner	11.96	--	1
2. Alpha Tech	10.57	88.3%	2
3. RLS	10.23	85.5%	3

Consultant Selection Recommendation - Gartner demonstrated clear leadership in technical, project management and procurement best management practices. KC Future Planning and Alpha Tech scored second in Procurement and Server/SAN, respectively. Both demonstrated acceptable background and experience, but both scored over 10 percentage points lower than Gartner. Although Economist.com ranked higher in the Network discipline, the panelists concluded that the scoring difference between Gartner and Economist.com was outweighed by the advantages of a having a single firm provide services in all three disciplines. Gartner also proposed a significant economy of scale in providing services in all three disciplines combined.

Gartner has established a premier reputation in the areas of technology research and evaluation, and demonstrated a high level of commitment to assisting local governments through its extensive technology consulting experience. The Managing Vice-President for this group will be actively involved in this project. The oral evaluation process further validated Gartner's knowledge of local government processes and confirmed their strong technical expertise in all areas of the project. Gartner is internationally recognized, and will lend a high level of credibility to the project. Their skills and experience will be of great value in ensuring the right solutions are selected for the New City Hall and that the process is conducted in a fair, transparent and defensible manner.

Contract Negotiations - Based on this evaluation, staff has conducted discussions with Gartner to identify contractual terms of an agreement. While business terms have been discussed and agreed upon, one notable negotiation point was Gartner's request to insert a limitation of its liability related to the engagement. While the City does not typically accept limitations of liability in consultant contracts, Gartner insists on such a limitation with its clients.

Gartner's involvement in this project will be to provide advice and expertise to the City's RFP team as well as recommending best practices in both technical and procurement disciplines. While Gartner will review key documents and provide professional recommendations, City staff will be responsible for publication of the RFP(s), ultimately leading to the selection and award of a contract to a Converged Network installer/integrator. Given this advisory role, it would be reasonable to provide a limitation on Gartner's liability relative to indirect or subsequent circumstances. Such a limitation may not be in the City's best interest when negotiating a contract with the future Converged Network installer/integrator.

City staff and Gartner have therefore negotiated the following provision:

Limitation of Liability. *(a) Neither party shall be liable for any consequential, indirect, special or incidental damages, such as damages for lost profits, business failure or loss arising out of use of the Deliverables or the Services, whether or not advised of the possibility of such damages. Except for liability for personal injury or death or for damage to property caused by the negligence or willful misconduct of Consultant or its employees, or indemnification obligations with respect to third party claims against the CITY, claims based on Consultant's violation of our confidentiality obligations; and claims based on intellectual property infringement, Consultant's total liability arising out of this Agreement and the provision of the Services shall be limited to the greater of ONE MILLION DOLLARS or two (2) times the total compensation to be paid by the City under the Statement of Work or for any Addendums requesting additional Consultant Services under which such liability arises.*

(b) Except for actions by Consultant for payment, no action or proceeding arising out of this Agreement may be brought more than two years after the events giving rise thereto.

The above provision limits the ability of the City to recover damages from Gartner. City staff believes that given the nature of work to be provided by Gartner, such a limitation is acceptable.

In light of this potential contractual issue, staff is prepared to negotiate with the other finalists should the City Council not approve an agreement with Gartner. Under such a scenario, staff would be prepared to report back on October 12, 2004, regarding the status of negotiations and related recommendations.

COST EVALUATION

Cost was considered in the evaluation process, but was just one of several critical evaluation criteria. Price was only considered for the finalist vendors. There was a wide variety of both total hours and average hourly rate in the proposals. It was deemed by Purchasing that the most objective way to evaluate price was on an average hourly rate. The finalists were then ranked in relation to each other on price. When price was factored into the evaluation process, there was little change in the rankings. Of the finalists, Gartner had the highest hourly rate but proposed a lower number of billable hours. Based on these factors, Gartner's total proposed fees are less than the combined totals of the three second ranked vendors. It is also important to note that this

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will be a "time and materials" contract with a "not to exceed limit." This model gives the City's project manager the ability to closely monitor and manage the total cost.

Staff is also cognizant of the City Council direction that all procurement associated with technology, furniture, equipment, and relocation services be evaluated on a number of elements, including: 1) costs of delaying Council action; 2) customer service efficiencies; 3) cost-benefit analysis; and, 4) improved customer service. The recommended procurement is a necessary prerequisite to the Converged Network implementation; staff will ensure that these issues are addressed through subsequent implementation recommendations.

BUDGET REFERENCE

<u>Fund #</u>	<u>Appn. #</u>	<u>Appn. Name</u>	<u>Total Appn.</u>	<u>Amount of order.</u>	<u>2004-2005 Appn Use (8/30/04)</u>
473	5152	Technology, Furniture and Equipment	\$36,800,000	\$365,226	Section 2.81, page 1

PUBLIC OUTREACH

The RFQ was posted on the City's Bid Line and the DemandStar system.

COORDINATION

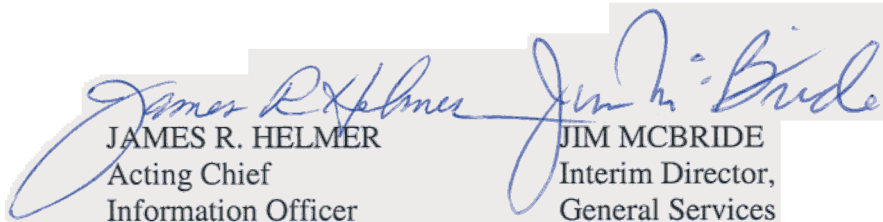
This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

CEQA

Not a project



ED SHIKADA
Deputy, City Manager



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